

NOTES AND COMMUNICATIONS

**A COMMENT ON "SOME ALTERNATIVES TO DEVELOPMENT ;
LESSONS FOR LIBYA" BY MURRAY D. BRYCE**

A Comment on the Article by Mr. Murray D. Bryce

In reading Mr. Bryce's article on "Some Alternatives to Development ; Lessons for Libya" published in this magazine, I found myself in disagreement with some of the views expressed, especially those touching upon Libya. With due respect to Mr. Bryce's wide knowledge in this field and with my limited knowledge on Libya I wish to make the following remarks.

1. The first point relates to Mr. Bryce's emphasis on the experience of other countries and how, on such bases, Libya should avoid many unfavourable paths of development. I wish to question the validity of how much one should draw from the experience of other countries as applied to a given country.

All countries, especially highly developed ones, are now facing the big challenge in their development ; adaptability to changing technology. What is economical today may be obsolete tomorrow and hence some of the past experience has been rendered obsolete. The experience of many countries in recent years suggests that those who are more dynamic and flexible in the use of modern technology have achieved greater success ; simply because modern techniques are more productive and result in great cost saving. The success of the USA relative to the UK in the past few decades is in fact attributed mainly to this factor. Furthermore, Norway's post-war progress was shouldered not on

increased factor inputs but on the improved capital service induced by technology. Developing countries, on the other hand, have not yet reaped the full benefits of technical progress. Their economic development, handicapped by many factors, has been moving in the vicious circle of poverty and backwardness. However, Libya is a special case. In fact, many of the characteristics of backwardness do not apply to Libya and it has all the potential for fast development if proper utilisation of existing technology and available resources was applied. It has the capital necessary for development, large agricultural resources, small population (under-populated) and a favourable location.

2. This leads me to the second point of Mr. Bryce's warning against industrialization in Libya. He argues that the market is very small and hence most industries are uneconomical. I have some reservations to make about this statement, and feel there is justification for the establishment of more industries in Libya.

I wholeheartedly agree with Mr. Bryce on the importance of agricultural development in Libya. However, a country equipped with the strongest weapon for development, i.e. capital, should aim at achieving a fairly balanced development. Not influenced by nationalistic tendencies and realizing the importance of specialization, I feel there is room for a gradual process of industrialization to meet the expanding needs of the local market and export-orientated industries of the capital-intensive type. This process would be compatible, to a lesser extent, with agricultural development and the infra-structure sectors.

One can safely assume that in Libya, contrary to most developing countries, capital is cheap compared with labour ; suggesting a capital-intensive path of development. Carefully selected capital-intensive industries of the moderate type, in the short run, would be highly productive. This is further supported by the experience of other countries such as India. One would have expected India to follow a labour-intensive type of industry, but one major study in this field revealed that this was not the case. This particular example of

India indicates that the theory of factor cost relationships from the social point of view in one country may not always be as effective as the technical or capital-intensive type.

Population in Libya, as in many other developing countries, is increasing at a fairly high rate and this can be accelerated by other means, e.g. immigration. This will widen the existing small market and coupled with entering into free trade regions would, as Mr. Bryce indicated, make the establishment of a large number of industries economical for a sound development. Moreover, Libya has a unique position compared with that of most developing countries in that she is favourably located for all types of markets. Hence, the present size of the market, which is very small, should not be the only factor in justifying the establishment of industries.

The many characteristics of Libya economy help, if properly directed, to bypass many stages of development, as it has done through oil. In this respect and, as Mr. Bryce suggested, the development of service industries would be of great advantage. Also an enormous big push on the education front and the development of other sectors would be advisable. Libya should lean more upon a sound economy and not depend on one sector, i.e. oil. Specialization may bring instability, especially in the case of Libya.

3. At another stage, Mr. Bryce warns against the danger arising from government being the main source of capital. This is justified in many ways. Experience in underdeveloped countries shows that the government is a bad entrepreneur. In the case of Libya, however, I would like to say this. The scarcity of labour associated with selectivity and careful study of Libyan economy may help to avert many of the pitfalls arising from the government being the main source of capital for development.

Further, I was under the impression that Mr. Bryce advocates a classical type of government which I believe under present circumstances do not meet the needs for development.

4. Finally, I am not very clear about Mr. Bryce's statement with regard to free movement of labour between countries. I was rather astonished to understand that it may be beneficial for Libya to encourage migration of skilled people to other countries, such as Canada. This is a healthy sign in one country, or if the world was one. But in Libya, I feel there is every reason to suggest that she should encourage the inflow of skills, which is Libya's most pressing need in its development. In fact, experience and the characteristics of the Libyan economy, coupled with a very liberal policy towards immigration, suggest that it can develop in a way similar to that of Canada or Australia.

In conclusion, I join Mr. Bryce in stating that development in Libya is surmounted by fear and danger and only a cautious selectivity program based on research and technical analysis would avert many of these dangers. However, with the potential Libya has, it should do more than most other developing countries in future development.

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